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Message Text

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17
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05 SS-15

CEA-01 PA-01 PRS-01 /081 W
---------- 011191
R 191330Z APR 76
FM AMEMBASSY SANA
TO SECSTATE WASHDC 7862
INFO AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY JIDDA

S E C R E T SANA 1313

E.O. 11652: GDS
TAGS: EAID, YE, SA
SUBJECT: YAR VISIT OF PRINCE SULTAN: THE ECONOMIC TALKS

1. SUMMARY. YEMENIS WHO EXPECTED ANOTHER HARVEST OF SUADI PROMISES TO CARRY OUT DEVELOPMENT PROJECTS HAVE BEEN DISAPPOINTED BY SULTAN VISIT, BUT SEVERAL KEY COMMITMENTS WERE EXTENDED IN PRIVATE. PUBLICLY, FOCUS WAS ON REVIEW OF IMPLEMENTATION OF EXISTING AID PROJECTS. END SUMMARY.

2. LAST AUGUST PRIME MINISTER ABDAL AZIZ ABDAL GHANI LED A YAR ECONOMIC MISSION TO SAUDI ARABIA AND RETURNED WITH HIGH BOUNTY OF PROJECT PROMISES. YEMENIS SINCE THEN HAVE BEEN BUSY TURNING THESE PROMISES INTO LOAN AGREEMENTS AND TENDERS, AND ACCORDING TO SMILING MINDEVEL ABDAL KARIM AL-IRYANI, SAUDIS WERE POSITIVELY DISCOMFITED BY PACE OF YAR IMPLEMENTATION ON ROADS, MILLS, AND SILOS, ELECTRIFICATION GRID, AND TENDERS FOR GOVERNMENT BUILDINGS.

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3. ON THIS TRIP, IN ANY CASE, SAUDIS WERE NOT RPT NOT

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DISPOSED TO MAKE NFL PUBLIC COMMITMENTS. THEY AGREED
APPARENTLY IN PRIVATE TO BUILD A LARGE (500 BED?)
HOSPITAL IN SANA AND YEMENIS GOT WHAT THEY CONSIDER
AGREEMENT IN PRINCIPLE ON SAUDI FINANCING OF HALF
OF $60 MILLION SANA SEWER PROJECT. WE HAVE REPORT
THAT SAUDIS AGREED TO FINANCE A SECOND 700 MAN
CONTINGENT OF TEACHERS, WHO WILL PROBABLY BE EGYPTIAN
AND SHOULD FILL MANY OF THE SPACES IN EMPTY
SCHOOL HOUSES WHICH SAUDIS HAVE BUILT AROUND YEMEN. THEY
ALSO AGREED TO SOME NEW FEEDER ROAD CONSTRUCTION IN
NORTH AND NORTH EAST, AND AN AGRICULTURAL PROJECT
IN WADI RIMA.

4. MOST IMPORTANT, IF TRUE, SUADIS MAY HAVE
AGREED TO ANOTHER INCREASE IN THE BUDGET SUBSIDY:
$31 MILLION. WE HAVE THIS REPORT FROM ONLY ONE SOURCE
AT PRESENTS, AND OTHER REPORTS ARE CONTRADICTORY, BUT
YEMENIS, WHO IN THROES OF PREPARING NEW BUDGET AND ARE
PREDICTING LARGE DEFICIT, PLANNED TO PUSH SAUDIS FOR
SOME INCREASE OF PRESENT $60 MILLION ANNUAL BUDGET
SUPPORT.

5. ON THE OTHER SIDE OF COIN, HOWEVER, SAUDIS SIMPLY
CANCELLED THE REFINERY PROJECT, AND THERE WAS NO RPT NO
DISCUSSION OF PROMISE WHICH YEMENIS THOUGHT THEY HAD TO
TRANSFER TO OTHER PROJECTS THE $300 MILLION PUBLICLY
ALLOCATED FOR REFINERY.

6. ANOTHER UNPLEASANT SURPRISE FOR YEMENIS WAS
UNWILLINGNESS OF SAUDIS TO SIGN JOINT VENTURE AGREEMENT FOR
AIRLINES. THIS WOULD HAVE UNLICKED PAYMENT FROM
$60 MILLION FUND WHICH PROMISED LAST AUGUST FOR
DEVELOPMENT OF LOCAL AIRLINE. YEMENIS CONFUSED,
BUT THINK LAST MINUTE REFUSAL TO SIGN REFLECTS
DISAGREEMENT OF MINFIN ABA AL-KHAYL WITH ALLEDGEDLY
INADEQUATE SUADI CONTROL OVER MANAGEMENT OF FUNDS IN
NEW COMPANY.

7. YEMENIS DECIDED AT LAST MOMENT NOT TO RAISE SALIF
PORT PROJECT, BASED ON INFO WHICH THEY ACQUIRED
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ABOUT SAUDI PORT CONSTRUCTION.

8. NEVERTHELESS, NONE OF NEW COMMITMENTS OR
CANCELLATIONS WERE REFERRED TO IN COMMUNIQUE, WHICH
FOCUSSED SHARPLY ON REVIEW OF PREVIOUSLY
ANNOUNCED PROJECTS.

9. COMMENT: COMMUNIQUE CAUSED YEMENIS SOME PAIN, SINCE

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GOVERNMENT CORRECTLY ANTICIPATED THAT WITHOUT
ANNOUNCEMENTS QUESTIONS WOULD BE ASKED ABOUT REAL MEANING
OF CHIEF OF STATE TREATMENT GIVEN TO PRINCE SULTAN.
WE DON'T KNOW WHY SAUDIS DECLINED TO GET CREDIT FOR NEW
GENEROSITY BUT PERHAPS THEY THOUGHT THEY HAD TO BREAK
CYCLE OF MAKING EXTRAVAGANT GIFTS EVERY TIME THERE IS
A HIGH LEVEL MEETING. ANOTHER ANOMALY OF MEETING WAS THAT
AGENDA WAS APPARENTLY PROVIDED BY WORKING PAPER WHICH
YEMENIS DISTRIBUTED AFTER DELEGATION ARRIVED. PRIOR
EFFORTS DEFINE AGENDA -- INCLUDING LAST MINUTE TRIP OF
FON MIN ASNAG TO KINGDOM -- REPORTEDLY GOT NOWHERE.
THUS EVEN THE MEETINGS THAT WERE SUPPOSED TO STIMULATE
YARG-SAG DIALOGUE REFLECT LACK OF YARG-SAG DIALOGUE.
REAL MEANING OF SULTAN VISIT IS IN ANY CASE NOT IN
ECONOMIC BUT IN POLITICAL SPHERE (SEPTEL).
NEVERTHELESS, YEMENIS HAVE SUCCESSFULLY SQUEEZED
SAUDIS FOR FEW MORE PROJECTS AND BY FOCUSSING ON
IMPLEMENTATION MEETINGS COULD MOVE UP SAUDI
DISBURSEMENT CURVE (DISCUSSED SANA 0588) MORE
STEEPLY AND QUICKLY. AS EXAMPLE, COMMUNIQUE DID PROMISE
THAT CONSTRUCTION RPT CONSTRUCTION OF HODEIDA ROAD TO
KINGDOM WOULD START THIS YEAR. NEVERTHELESS, FOR
PEOPLE IN THE KNOW AS WELL AS FOR THOSE WHO DON'T KNOW
DETAILS OF TALKS, ECONOMIC RESULTS OF SULTAN VISIT
PROVIDE VERY MIXED FEELINGS WITH DISAPPOINTMENT AND
UNCERTAINTY VYING WITH GRATITUDE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL LEADERS, VISITS, DEVELOPMENT PROGRAMS, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 19 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANA01313
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760148-0877
From: SANA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760447/aaaabntl.tel
Line Count: 142
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by BoyleJA>; APPROVED <14 OCT 2004 by KelleyW0>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YAR VISIT OF PRINCE SULTAN: THE ECONOMIC TALKS
TAGS: EAID, YE, SA, (ABD AL-GHANI, ABD AL-AZIZ)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006